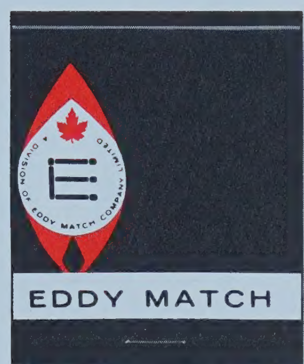
corp report



Eddy Match Company, Limited Annual Report 1971

Eddy Match Company, Limited Annual Report 1971

HEAD OFFICE
SUITE 1006, 7 KING ST. EAST,
TORONTO, ONTARIO

Highlights

	1971	1970	1969
OPERATING SUMMARY			
Net Sales	$20,758,000	$37,314,000	$40,852,000
Depreciation and depletion	1,218,000	1,424,000	1,342,000
Net results:			
Net (loss) income from operations	(563,000)	(892,000)	405,000
Extraordinary item	293,000	(1,244,000)	–
Net results for the year	(270,000)	(2,136,000)	405,000
Dividends paid:			
Preferred shares	56,000	56,000	56,000
Common shares	Nil	Nil	301,000
FINANCIAL POSITION			
Net current assets	$ 6,035,000	$ 7,028,000	$ 8,906,000
Total assets	23,861,000	26,851,000	30,037,000
Shareholders' equity	13,088,000	13,414,000	15,605,000
PER COMMON SHARE			
Earnings (loss) from operations	$ (2.05)	$ (3.15)	$ 1.16
Extraordinary item	.97	(4.13)	–
Net results for year	(1.08)	(7.28)	1.16
CAPITAL EXPENDITURES	$ 2,899,000	$ 1,212,000	$ 2,770,000

The Annual Meeting of Shareholders will be held on April 6, 1972 at 11:00 a.m. E.S.T., in the offices of the Company, tenth floor at 7 King Street East, Toronto, Ontario.

Report to the Shareholders

The consolidated results of operations for the year 1971, while improved over 1970, were disappointing. The net loss before the extraordinary item was $563,000 equal to $2.05 per common share after providing for preferred share dividends of $55,500. This compares with an operating loss of $892,000, or $3.15 per common share in 1970. The wind-up of the Grant Industries Division resulted in an extraordinary gain of $.97 per common share in 1971 as opposed to a loss of $4.13 in the previous year. Consequently, the net results for 1971 were a loss of $1.08 per common share versus a loss of $7.28 in 1970. Details of the Grant Industries wind-up are reported in the Financial Review. There were no common share dividends paid in 1971.

Consolidated net sales were $20,758,000, a decrease of $16,557,000 from 1970. However, exclusive of Grant Industries, 1971 sales increased by $2,586,000, or 14%, when compared to the 1970 figures.

Working capital at year-end was $6,035,000 and the ratio of current assets to current liabilities was 2.9 to 1. Fixed Assets at net book value amounted to $14,358,000, including additions during the year of $2,899,000. Our net cash position improved by $1,982,000 due entirely to proceeds received on disposition of Grant Industries assets.

Shareholders
At December 31, 1971 the Company had 697 common shareholders. The distribution was as follows:

Country of residence	Number of shareholders	Number of common shares held
Canada.....	678	101,576
United Kingdom...	8	197,315
United States......	7	752
Other.......	4	1,310

The British Match Corporation, Limited, through its wholly-owned subsidiary, Bryant & May (Holdings) Ltd., owns 196,890 common and all of the preferred shares of Eddy Match Company, Limited.

Match Division
Sales and profits in this division increased significantly throughout the year. To meet the increase in demand for our matches in Canada, work began in mid 1971 on a plant expansion. This is now complete and we are presently in the process of installing a new production line for bookmatches, which will be completed in the spring of 1972. Low priced imports from Europe and Asia continue to be a problem, however a match shortage in the United States has somewhat restricted the inflow of matches from that country. The 10% Excise Tax on matches has not been altered by the Federal Government in spite of our efforts to have this tax repealed.

Eddy Industrial Products
This division is basically a service centre for the other divisions in Eastern Canada. Among other things, it has been manufacturing the matchmaking machinery for our Match Division expansion. The plant has maintained steady operations all year and returned a reasonable profit on a relatively small investment. At the present time this division has a considerable backlog of both Company and outside work and it appears that 1972 will be a successful year.

Steel Equipment
Once again our sales of Stor/Wal increased to set new records and we believe that it now out-sells any other similar type of lateral filing cabinet made in Canada. Unfortunately, our sales of office furniture in the United States continued to decrease and were not assisted by the imposition of the 10% surcharge. After a slow start, Canadian sales improved and as a result were slightly better than 1970. Profits showed a modest improvement over the previous year. Canadian sales by the office furniture industry appeared to be lower during 1971 than in 1970. As a result, there was severe price cutting, especially on large volume orders. During the summer the division underwent management changes with the appointment of a new General Manager and a new Canadian Sales Manager.

Ideal Venders
This division suffered a loss in 1971. Sales were lower, especially in the spring and fall seasons. The vending industry, in both Canada and the United States, has been going through some consolidation over the last two years and competition has been unusually severe with increased costs not being offset by price increases on many product lines. The ecological problems with non-returnable containers have caused considerable confusion within the vending industry, resulting in some reduced demand for our products. We have completed development of, and are presently field testing, a new machine which will vend either bottles or cans and we hope that this machine will have a favourable reception because it will handle returnable or non-returnable containers.

During the year we completed the transfer of the manufacturing of some office furniture from Steel Equipment to Ideal Venders. This move enabled us to relieve overcrowding which had developed in the Pembroke plant of Steel Equipment and add needed production volume to the vending machine plant.

A new General Manager was appointed for Ideal Venders in the early fall, replacing the previous Manager who retired because of poor health.

Kootenay Forest Products
In our Annual Report for 1970 we stated that about $1,000,000 of capital had been authorized for a modernization program aimed at cost reduction and some expansion of plywood facilities. Until September, there was a considerable improvement in the operating results. It then became evident that problems in our Woodlands Department had been underestimated. A shortage of suitable raw material for the Plywood Mill developed, forcing not only a cutback in production but also an excessive use of logs of poorer quality and size, all of which resulted in higher conversion costs and a heavy loss in the last quarter.

The loss in the fourth quarter exceeded the loss in the same period last year. Although the loss for the whole year was less than in 1970, it was still the major factor contributing to the consolidated net loss of your Company.

We are pressing ahead with our logging plan which includes substantial road building to gain access to better supplies of timber. While we shall continue to be handicapped by inadequate wood supplies in the first half of 1972, the improved results of this logging program should become evident in the summer and fall.

The market prospects for lumber and plywood are generally regarded as favourable for 1972.

Grant Industries
The closing of this division was virtually completed by mid-year. A great deal of credit can be given to those employees who so ably assisted in getting such a favourable return on the disposition of the extensive assets.

The Board of Directors
Mr. John C. Parkin of Toronto, one of Canada's leading architects, was elected to the Board at the Annual Meeting held April 14, 1971.

Outlook for 1972
While we expect improvement in all divisions in 1972, there are serious problems being resolved at Kootenay Forest products where we expect continued losses until well into the year.

The outlook for matches and office furniture is good. The outlook for vending machines, while better than in 1971, is still not satisfactory. A plan to penetrate the large United States market was reinstated when the 10% surcharge was terminated, but we do not anticipate profits from this market during the first year.

Appreciation
We gratefully acknowledge the confidence of our customers, the interest and support of our shareholders, and the loyalty and cooperation of our employees during the past difficult year.

On behalf of the Board of Directors

Ja Lawson

President and Chief Executive Officer

Auditors' Report

To the Shareholders of
Eddy Match Company, Limited:

We have examined the consolidated balance sheet of Eddy Match Company, Limited and its subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada,
February 18, 1972.

Earnings

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for the year 1970)

	1971	1970
NET SALES:		
Forest Products	$ 9,424,785	$ 7,170,102
Metal Products	6,092,771	6,315,715
Matches	5,240,017	4,686,169
Grant Industries Division	–	19,142,226
	20,757,573	37,314,212
COST OF SALES	17,913,649	32,435,495
GROSS EARNINGS	2,843,924	4,878,717
DEDUCT (add):		
Marketing and distribution expenses	1,796,856	3,553,288
General and administrative expenses (note 4)	1,469,889	1,980,142
Bank interest (net of interest income)	(340)	272,646
Debenture interest (including amortization of discount and expenses)	492,247	510,704
Net loss on disposal of fixed assets (exclusive of amounts included in extraordinary item)	18,034	75,667
Gain on purchase of debentures for cancellation	(33,486)	(25,637)
	3,743,200	6,366,810
(LOSS) before income tax credits and extraordinary item	(899,276)	(1,488,093)
INCOME TAX credits	336,000	596,000
NET (LOSS) before extraordinary item	(563,276)	(892,093)
EXTRAORDINARY ITEM:		
Recovery (provision for loss) on disposal of the assets of Grant Industries (after income tax provisions of $258,000 in 1971 and income tax credits of $899,000 in 1970) (note 2) p. 6.	292,854	(1,243,805)
NET (loss) for the year	$ (270,422)	$ (2,135,898)
PER COMMON SHARE:		
(LOSS) before extraordinary item	$ (2.05)	$ (3.15)
Extraordinary item	.97	(4.13)
NET (loss) for the year	$ (1.08)	$ (7.28)
Costs and expenses include the following:		
Depreciation (note 1)	$ 1,200,154	$ 1,361,548
Depletion	17,858	61,993
	$ 1,218,012	$ 1,423,541

(See accompanying notes to consolidated financial statements)

Retained Earnings

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for the year 1970)

	1971	1970
BALANCE, beginning of year	$4,757,176	$6,648,056
NET (loss) for the year	(270,422)	(2,135,898)
TRANSFER from excess of appraised value of fixed assets over depreciated cost (note 1)	216,302	300,518
	4,703,056	4,812,676
DIVIDENDS paid on preferred shares	55,500	55,500
BALANCE, end of year	$4,647,556	$4,757,176

(See accompanying notes to consolidated financial statements)

Balance Sheet

EDDY MATCH COMPANY, LIMITED
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1971
(with comparative figures at December 31, 1970)

ASSETS

		1971	1970
CURRENT:			
Cash		$ 166,918	$ 45,470
Short term notes at cost which approximates market value		497,558	–
Accounts receivable –			
Trade less allowance for doubtful accounts (1971 – $90,259; 1970 – $326,655)		2,556,294	4,215,973
Other		548,144	708,017
Income taxes recoverable		–	703,553
Inventories of materials, work in process and finished goods valued at the lower of cost or net realizable value		5,271,955	6,516,253
Prepaid expenses		142,241	319,472
Total current assets		9,183,110	12,508,738
Land, plant and equipment held for sale, at estimated realizable value (note 2)		–	1,288,923
FIXED:			
Land, plant and equipment (note 1)	16,609,070		
Less accumulated depreciation	3,186,510	13,422,560	11,749,465
Timberlands and cutting rights (note 1)	1,075,700		
Less accumulated depletion	140,095	935,605	949,158
Total fixed assets		14,358,165	12,698,623
OTHER:			
Debenture discount and expense less amortization		189,973	217,788
Timber sale deposits		129,915	136,616
		319,888	354,404
		$23,861,163	$26,850,688

Notes

EDDY MATCH COMPANY, LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1971

1. Fixed Assets
As of January 1, 1969, substantially all land, plant and equipment were restated in the accounts at depreciated replacement cost on the basis of appraisals made by Cooper Appraisals Limited in late 1968 and early 1969. Timberlands and certain minor equipment items were restated at their December 31, 1968 carrying values net of depreciation or depletion accumulated to that date. Subsequent additions are stated at cost, less $267,783 receivable as primary development incentive grants under the Regional Development Incentives Act. These grants are repayable if the company does not comply with the provisions of the Act under which they have been made.

The "Excess of appraised value of fixed assets over depreciated cost" shown as part of shareholders' equity on the consolidated balance sheet is made up as follows:

Balance December 31, 1970	$2,277,556
Deduct transfer to retained earnings, representing amounts realized during 1971 through depreciation and disposals	216,302
Balance December 31, 1971	$2,061,254

2. Closing of Grant Industries Division
As of December 31, 1970, the company was in the process of closing its Grant Industries Division and disposing of all the division's assets. All costs of this closing, both incurred and anticipated, were shown as an

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
CURRENT:		
Bank indebtedness	$ 1,149,198	$ 2,512,268
Accounts payable and accrued charges	1,842,524	2,008,319
Income and other taxes payable	116,948	144,561
Debenture interest payable	39,273	40,720
Provision for estimated future costs of closing Grant Industries Division (note 2)	–	775,000
Total current liabilities	3,147,943	5,480,868
Deferred income taxes	511,622	580,300
6½% Sinking Fund Debenture Series 'A' maturing 1973 – 1986 (note 3)	7,114,000	7,376,000
SHAREHOLDERS' EQUITY:		
Capital –		
6% cumulative redeemable preferred shares of $100 par value, entitled on voluntary liquidation or on redemption to $125 per share:		
Authorized and issued – 9,250 shares	925,000	925,000
Common shares without nominal or par value:		
Authorized – 500,000 shares		
Issued – 300,953 shares	5,453,788	5,453,788
	6,378,788	6,378,788
Excess of appraised value of fixed assets over depreciated cost (note 1)	2,061,254	2,277,556
Retained earnings (note 3)	4,647,556	4,757,176
	13,087,598	13,413,520
	$23,861,163	$26,850,688

On behalf of the Board:

J. A. Lawson

Director

J. Douglas Gibson

Director

extraordinary item on the 1970 consolidated statement of earnings. Current assets were written down to their estimated net realizable value on liquidation and a provision for estimated future closing expenses was included in current liabilities. The fixed assets of the division were written down to their estimated realizable value and shown as a separate item on the balance sheet. The provisions for costs and losses on the closing of the division reflected the best current judgement of management and were subject to adjustment on determination of the actual amounts.

As of December 31, 1971, the division had disposed of substantially all its assets and met all its obligations. The excess of the provisions made in 1970 for the costs of closing over the actual costs incurred is shown as an extraordinary item on the 1971 consolidated statement of earnings.

3. 6½% Sinking Fund Debentures – Series A

The debentures are secured by a floating charge on the company's assets. Sinking fund requirements during the next five years, after application thereto of debentures purchased for cancellation, are as follows: 1972 – Nil; 1973 – $214,000; 1974 – $375,000; 1975 – $375,000; 1976 – $375,000.

The trust indenture relating to the debentures contains certain restrictions on the payment of dividends. As a result of these restrictions all of the retained earnings at December 31, 1971 and approximately $1,030,000 of future net earnings as defined, are not available for the payment of dividends on common shares.

4. Remuneration of directors and officers

During 1971, the aggregate remuneration of the company's ten directors as directors was $38,650 and of the company's six officers as officers was $132,284. Two of the directors were also officers.

5. Lease Commitments

Lease contracts for machinery, equipment and office space require rental payments in 1972 of $425,000: 1973-$290,000; 1974-$210,000; 1975-$175,000; and 1976-$80,000.

Source and use of Funds

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1971
(with comparative figures for the year 1970)

	1971	1970
USE OF FUNDS:		
Expenditure on fixed assets	$ 2,899,008	$ 1,211,504
Debentures purchased for cancellation	262,000	124,000
Dividends paid	55,500	55,500
	3,216,508	1,391,004
SOURCE OF FUNDS:		
Net (loss) for the year	(270,422)	(2,135,898)
Add (deduct) —		
Depreciation and depletion	1,218,012	1,423,541
Amortization of debenture discount and expense	27,815	29,365
Deferred income taxes	(68,678)	(816,000)
Losses on disposal of fixed assets	18,034	303,032
Recovery on disposal of fixed assets written down to estimated realizable value in 1970 (note 2)	(164,473)	284,107
Total funds provided by (used in) operations	760,288	(911,853)
Proceeds on disposal of fixed assets	1,456,816	420,508
Decrease in other assets	6,701	3,965
	2,223,805	(487,380)
Decrease in working capital	$ 992,703	$ 1,878,384
Working capital, beginning of year:		
Current assets	$12,508,738	$14,442,512
Current liabilities	5,480,868	5,536,258
	7,027,870	8,906,254
Working capital, end of year:		
Current assets	9,183,110	12,508,738
Current liabilities	3,147,943	5,480,868
	6,035,167	7,027,870
Decrease in working capital	$ 992,703	$ 1,878,384

(See accompanying notes to Consolidated Financial Statements)

Financial Review

The consolidated financial statements include the results of operations for 1971 and the financial position of Eddy Match Company, Limited and its subsidiaries, all of which are wholly owned. The operations are carried on by divisions of the Company, but certain of the assets are owned by subsidiary companies.

ASSETS and LIABILITIES

The working capital at December 31, for each of the years 1971 and 1970, is compared below:

	1971	1970
CURRENT ASSETS:		
Cash and short term notes	$ 664,000	$ 45,000
Trade and miscellaneous accounts receivable (net)	3,105,000	4,924,000
Income taxes recoverable	–	704,000
Inventories	5,272,000	6,516,000
Prepaid expenses	142,000	320,000
	9,183,000	12,509,000
LESS CURRENT LIABILITIES:		
Bank indebtedness	1,149,000	2,512,000
Provision for estimated future costs of closing the Grant Industries Division.	–	775,000
Other	1,999,000	2,194,000
	3,148,000	5,481,000
WORKING CAPITAL	$6,035,000	$ 7,028,000

	1971	1970
Ratio of current assets to current liabilities	2.9 to 1	2.3 to 1
Net decrease in working capital	$ 993,000	$ 1,878,000

The accounts receivable trade were owing on sales made under normal credit terms. Adequate provision has been made for those accounts of a doubtful nature. The reduction in the allowance for doubtful accounts is largely attributable to the closing of the Grant Industries Division.

Inventories at December 31 were valued at the lower of cost or net realizable value and consisted of the following:

	1971	1970
Raw materials	$2,893,000	$ 3,640,000
Work in Process	1,112,000	961,000
Finished goods and stock in trade	1,267,000	1,915,000
	$5,272,000	$ 6,516,000

The decrease in raw materials is due primarily to a reduction in the log inventory at Kootenay Forest Products, while the closing of Grant Industries accounts for the decrease in finished goods.

Land, plant and equipment as shown on the Balance Sheet consisted of the following:

	Gross Value	Accumulated Depreciation	Net Book Value
Land and roadways	$ 2,644,000	$1,045,000	$ 1,599,000
Buildings and leaseholds	5,115,000	615,000	4,500,000
Machinery and equipment	8,744,000	1,526,000	7,218,000
Tooling	106,000	–	106,000
	$16,609,000	$ 3,186,000	$13,423,000

The Company follows a policy of having its plant and equipment revalued every ten years. As a result, substantially all of the land, buildings and equipment are valued at depreciated replacement cost, determined by Cooper Appraisals Limited as of January 1, 1969, with subsequent additions at cost. Concurrent with the recording of the appraisal, timberlands were restated at their net book value as of January 1, 1969.

The appraisal increase from the above revaluation has been credited to a separate account in the Shareholders' Equity section of the Balance Sheet. Depreciation charges have been based on the appraised asset values, where applicable, and amounts equal to the resulting increase in depreciation have been transferred from the account "Excess of Appraised Value of Fixed Assets over Depreciated Cost" to "Retained Earnings". A similar transfer has been made on asset disposals for any appraisal increase that had not been depreciated. The net result of the 1969 appraisal was an increase in the fixed asset values of $2,647,000. Of this amount, $692,000 has been transferred to Retained Earnings, including $216,000 in 1971, in accordance with the above policy.

The expenditures on fixed assets, which totalled $2,899,000 during the year, included the following significant items:

Logging equipment	$675,000
Logging road construction	625,000
Modification & expansion of sawmill facilities	300,000
Expansion of plywood production facilities	600,000
Expansion of match production facilities	275,000
Improved paint plant at Ideal Venders	125,000

The sawmill, plywood and match expansion projects have been authorized to qualify for a primary development incentive grant under the Federal Regional Development Incentives Act. An amount of $267,783 is recorded as a receivable under the terms of the Act and the costs of the plant and equipment have been reduced by the same amount. These grants are repayable if the company does not comply with the provisions of the Act under which they have been made.

Depreciation is provided on fixed assets (other than land and roads) at rates designed to write off such assets on the 'straight line' method over their remaining useful lives. Timberlands, cutting rights and roads are amortized at rates based on the volume of logs produced.

Tooling costs are charged to expense over the lesser of two years or the life of the project.

On June 1, 1966 the Company issued $7,500,000 of 6½% Sinking Fund Debentures, Series "A" which mature on June 1, 1986. The Company has adopted a policy of purchasing these Debentures on the open market when they are available at a favourable price. Debentures so purchased are cancelled and will be applied against the required Sinking Fund payments. The annual Sinking Fund requirements are as follows:

1972	Nil
1973	$214,000
1974 to 1976 — both inclusive	375,000
1977 to 1980 — both inclusive	525,000
1981 to 1985 — both inclusive	600,000

The company has purchased a total of $386,000 of debentures for cancellation, of which $262,000 were acquired in 1971. These debentures have been applied against the 1972 and 1973 Sinking Fund payments.

The debenture interest for 1971 was $467,488. This amount was covered approximately 1.7 times by earnings before depreciation, depletion, amortization, debenture interest, loss on disposal of fixed assets, income taxes and the recovery on the disposal of the assets of Grant Industries.

With respect to the new Canadian Income Tax Laws, the Department of National Revenue has placed a value of $10.25 on the common shares of your Company as of December 22, 1971, Valuation Day.

Earnings
As a result of the revaluations of fixed assets up to depreciated replacement cost, the 1971 loss was increased by additional depreciation amounting to approximately $202,000 without any income tax relief because depreciation on appraisal increases is not a deductible expense for income tax purposes. This explains the low effective rate of tax recovery.

Last year we reported that the depressed lumber market had made it necessary to write down the inventory of finished lumber and sawlogs to net realizable value (estimated selling price less selling and production costs) with a resulting charge of $363,000 to earnings. Since that time there has been an improvement in lumber prices, but increased costs have outstripped this gain necessitating a similar charge of $82,000 in 1971.

The affairs of Grant Industries have now been wound up. All inventories have been sold and the accounts receivable have been collected or written off. With the exception of the Prince George warehouse, which has been leased, all of the fixed assets have been sold. As of December 31, 1971 we held one $85,000 mortgage which has subsequently been paid.

The Grant Industries assets, excluding the remaining warehouse, had a book value of $7,150,000 as of November 30, 1970, the date of the decision to wind up the division. The proceeds from their liquidation amounted to $6,387,000. Of this amount, $912,000 was used to pay Grant Industries debts and $829,000 was needed for termination pay and continuing expenses leaving $4,646,000 for reduction of corporate bank loans and use by other divisions of the Company. In addition, the loss carry forward effect of losses incurred will reduce future cash requirements for income taxes.

As of December 31, 1970, provisions were made for the estimated costs and losses on the closing of Grant Industries. Accounts receivable and inventories on hand at the end of the year were written down to their net realizable value on liquidation. Provisions for estimated future closing expenses and termination pay were included in current liabilities.

The provisions made a year ago were based on the best estimates available at that time. Now that the actual costs are known, it has become apparent that these provisions were conservative and as a result, the 1971 Statement of Earnings contains an extraordinary income item equal to the excess of the provisions over the actual costs incurred. With respect to accounts receivable, the actual amount written off as uncollectable was only 2% of the total receivables. Over all we were able to obtain 85 cents per dollar of investment as of November 30, 1970.

After the elimination of Grant Industries from the 1970 figures for marketing, distribution and administrative expense, the 1971 costs have increased 7% over the 1970 costs.

The Company follows the deferred method of accounting for income taxes. Under this method, income taxes charged against income are computed with reference to depreciation recorded on asset costs, rather than to allowances claimed for income tax purposes. The tax effect of the resulting difference is shown as deferred income taxes in the statements.

Ten Year S

(all dollars in thousands, except per share statistics)

SALES AND EARNINGS
Net sales
Depreciation and depletion
Taxes on income from operations
Net earnings (loss) from operations
Extraordinary items (net of tax)
Net results for the year
Per common share
Earnings (loss) from operations
Extraordinary items
Net results for the year
DIVIDEND RECORD
On preferred shares
On common shares
Paid per common share
As a percent of common share earnings
STOCK MARKET PRICE RANGE
Common shares
FINANCIAL POSITION
Current assets
Current liabilities
Working capital
Ratio of current assets to current liabilities
Capital assets at net book value
Funded debt
Capital employed — December 31
Earnings as a percent of capital employed — January 1
EQUITY OF SHAREHOLDERS
Equity of preferred shareholders
Equity of common shareholders
Equity per common share
Common share earnings as a percent of common share equity — January 1
CAPITAL EXPENDITURES (net)

*Data includes operations of Grant Industries from March 1, 1963 to December 31, 1970.

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*1971**	1970	1969	1968	1967	1966	1965	1964	1963*	1962
$20,758	$37,314	$40,852	$34,877	$33,321	$31,512	$28,322	$27,200	$23,645	$12,139
1,218	1,424	1,342	974	918	767	845	785	629	527
(336)	(596)	669	777	738	1,273	1,193	1,290	1,339	1,076
(563)	(892)	405	654	641	1,147	1,045	1,230	1,345	1,159
293	(1,244)	—	54	—	—	—	—	—	—
(270)	(2,136)	405	708	641	1,147	1,045	1,230	1,345	1,159
(2.05)	(3.15)	1.16	1.99	1.94	3.63	3.29	3.90	4.29	3.67
.97	(4.13)	—	.18	—	—	—	—	—	—
(1.08)	(7.28)	1.16	2.17	1.94	3.63	3.29	3.90	4.29	3.67
56	56	56	56	56	56	56	56	56	56
NIL	NIL	301	NIL	602	602	602	602	527	451
NIL	NIL	1.00	NIL	2.00	2.00	2.00	2.00	1.75	1.50
N/A	N/A	86	N/A	103	55	61	51	41	41
14½-10	21-11	40½-20½	30½-16	37½-26	39-31	48-36½	49½-39¾	39¾-30	34½-27½
9,183	12,509	14,442	14,521	13,286	14,091	10,809	9,189	8,668	6,794
3,148	5,481	5,536	4,501	3,825	3,906	6,484	5,147	5,044	1,981
6,035	7,028	8,906	10,020	9,461	10,185	4,325	4,042	3,624	4,813
2.9	2.3	2.6	3.2	3.5	3.6	1.7	1.8	1.7	3.4
14,358	12,699	15,207	11,067	10,860	9,885	7,701	7,522	7,316	5,358
7,114	7,376	7,500	7,500	7,500	7,500	—	—	—	—
20,713	21,370	24,501	21,776	21,162	20,741	12,194	11,696	11,094	10,260
N/A	N/A	1.7	3.3	3.1	9.4	8.9	11.1	13.1	11.9
1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156
11,931	12,257	14,449	11,753	11,101	11,118	10,628	10,241	9,668	8,905
39.65	40.73	48.01	39.05	36.89	36.94	35.31	34.03	32.12	29.59
N/A	N/A	2.4	5.9	5.3	10.3	9.7	12.1	14.5	13.2
1,589	204	2,691	1,190	1,939	2,987	1,011	1,072	2,649	426

Directors

J. N. COLE
Vice-President, Wood Gundy Limited, Montreal, Quebec

L. M. CRANDALL
Director, Eddy Match Company, Limited, Pembroke, Ontario

Hon. E. Davie FULTON
Partner, Fulton, Cumming, Richards, Underhill, Fraser, Skillings, Barristers and Solicitors, Vancouver, British Columbia

J. Douglas GIBSON
Financial and Economic Consultant, Toronto, Ontario

I. H. G. GILBERT
Chairman, Bryant & May (Holdings) Ltd., London, England

J. M. GILLIES
Dean of Administrative Studies, York University, Toronto, Ontario

J.Claude HEBERT
President, Warnock Hersey International Limited, Montreal, Quebec

J. A. LAWRASON
President & Chief Executive Officer, Eddy Match Company, Limited, Toronto, Ontario

G. RAE SMITH
Director, Bryant & May (Holdings) Ltd., London, England

Officers

J. Douglas GIBSON
Chairman of the Board

J. A. LAWRASON
President & Chief Executive Officer

R. S. KAVANAGH
Vice-President and Treasurer

F. W. SMITH
Secretary

Transfer Agents and Registrar
Montreal Trust Company, Montreal, Toronto, Regina, Calgary and Vancouver

Debenture Trustee
Montreal Trust Company, Toronto, Ontario

Auditors
Clarkson, Gordon & Company, Toronto, Ontario

Stock Exchanges
Montreal Stock Exchange
Toronto Stock Exchange

Plants, Products and Offices

Eddy Match

Wood and book matches	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Toronto, Ont. Vancouver, B.C.

Steel Equipment

Office Furniture	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Toronto, Ont.

Ideal Venders

Vending machines and coolers	Administrative office and plant	Deseronto, Ont.
	Sales offices	Montreal, Que. Toronto, Ont.

Kootenay Forest Products

Softwood plywoods Lumber and wood products	Administrative office and mills	Nelson, B.C.

File

Six Months

Report to Shareholders

for the period ended June 30, 1971

EDDY MATCH
COMPANY
LIMITED

EDDY MATCH COMPANY, LIMITED

Six Months' Report to Shareholders

Your company earned $27,000 after tax for the first six months of 1971, which was just sufficient to cover preferred share dividends. This compares to a loss of $467,000 or $1.65 per common share for the same period of 1970. It is encouraging to be able to inform you that during the second quarter, earnings after tax were $143,000 or $0.43 per share. This compares with a loss of $211,000 or $0.75 per common share in the second quarter of last year. After eliminating Grant Industries' sales, consolidated net sales for the six months increased by 10% over last year. Bank loans were $68,000 at June 30, compared to $3,300,000 at June 30, 1970.

As a result of the revaluation of fixed assets up to depreciated replacement cost, the 1971 earnings have been decreased by additional depreciation amounting to approximately $108,000 without any income tax relief, as depreciation on appraisal increases is not a deductible expense for income tax purposes. This explains the relatively large income tax provision of $105,000 on before tax income of $132,000.

Lumber prices improved during the second quarter although average selling prices for the six months were still below the averages for the comparable period in 1970. Our volume of plywood sales is well up over last year and prices have firmed up considerably. These factors contributed substantially to earnings in the second quarter.

Sales of matches again improved in the second quarter. Office furniture sales, which were depressed during most of 1970, began to improve modestly late in the second quarter but were subject to quite severe competitive pressures. The demand for our vending machines is well down this year and, while additional sales promotions are being offered to the trade, it is likely that sales volumes will be limited for the balance of the year. Profits from lumber and office furniture continue to be affected by the freeing of the Canadian dollar.

One unfavourable aspect for the balance of this year is that profits from Grant Industries which traditionally were earned only in the third and fourth quarters will be non-existent. Grant Industries was phased out late in 1970 and early in 1971. On the other hand, if plywood and lumber prices are maintained the outlook for the remainder of the year is significantly improved.

Toronto, Ontario
July 30, 1971

J. A. Lawrason
President

CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 1971

(with comparative figures for 1970)

(thousands of dollars, except for Share data)

	1971		*1970*	
	Second Quarter	*Six Months*	*Second Quarter*	*Six Months*
Sales	**$ 5,756**	**$10,560**	$ 9,540	$17,155
Cost of Sales	**4,631**	**8,662**	8,351	14,902
	$ 1,125	**$ 1,898**	$ 1,189	$ 2,253
Deduct:				
Marketing, general and administrative expenses	**$ 726**	**$ 1,503**	$ 1,376	$ 2,723
Interest expense (net)	**109**	**263**	199	374
	$ 835	**$ 1,766**	$ 1,575	$ 3,097
Earnings (loss) before provision for income taxes	**$ 290**	**$ 132**	$ (386)	$ (844)
Provision for income taxes payable (recoverable)	**147**	**105**	(175)	(377)
Net earnings (loss) for the period	**$ 143**	**$ 27**	$ (211)	$ (467)
Depreciation and depletion included in the above	**$ 213**	**$ 478**	$ 253	$ 566
Number of common shares outstanding	**300,953**	**300,953**	300,953	300,953
Earnings (loss) per common share (after provision for dividends on preference shares)	**$ .43**	**$ Nil**	$ (.75)	$ (1.65)
Dividends declared and paid on common shares	**$ Nil**	**$ Nil**	$ Nil	$ Nil

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1971

(with comparative figures for 1970)

(thousands of dollars)

	1971	*1970*
Source of Funds		
Net earnings (loss) for the period	**$ 27**	$ (467)
Add back charges against earnings which did not involve a current outlay of funds	**543**	656
Proceeds on the sale of fixed assets	**1,256**	53
Decrease in other assets	**6**	(12)
Total	**$ 1,832**	$ 230
Use of Funds		
Expenditures on fixed assets	**$ 1,000**	$ 374
Purchase and cancellation of Series 'A' Debenture	**235**	40
Dividends Paid	**28**	28
Total	**$ 1,263**	$ 442
Increase (decrease) in working capital	**$ 569**	$ (212)

The above figures are subject to audit and year-end adjustments.